

# Bank of South Pacific

Director Competency/Skills Review

*Findings Report*

*May 2019*

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## Summary of Responses

During late 2018/early 2019, the Bank of South Pacific Board conducted a self-assessment of Directors' competencies. The self-assessment included determining the expertise required on the Board. This report provides the results of the assessment.

The assessment considered four areas:

1. behavioural competencies;
2. governance competencies;
3. technical competencies; and
4. industry specific competencies.

All current Directors: Sir Kostas Constantinou, Robert Bradshaw, Stuart Davis, Robin Fleming, Ernest Gangloff, Dr. Matagialofi Luai'iufi, Augustine Mano, Geoffrey Robb, Arthur Sam and Freda Talao participated in the assessment.

## Overall Board Results

The results indicate that there are currently no competency gaps for the board.

A summary of the results is provided in Table 1 and the detailed results are provided in Table 3.

It should be noted that future competency gaps could be 'met' by either:

- ensuring Directors are cognisant of the behavioural competency gaps;
- providing professional development for the current Directors to address any individual gaps
- obtaining the required skills to support the Board through appointment of one or more appropriately skilled individuals to a committee of the Board.

Section	Met	Not met
Industry Experience and Knowledge	4	0
Technical Skills and Experience	11	0
Governance Competencies	11	0
Behavioural Competencies	11	0

**Table 1: Competencies held and not held by competency area – current Board only**

## Individual Board Member Results

Table 2 outlines the number of skills each Director has identified that they either possess or not. Currently, Ernest Gangloff has self-assessed themselves as possessing the strongest skill set. If Ernest Gangloff were not on the Board, the areas which are currently 'not met' would increase from zero to two; this would create a competency deficiency.

	Director									
	Sir Kostas Constantinou	Robert Bradshaw	Stuart Davis	Robin Fleming	Ernest Gangloff	Dr. Matagi alofi Luai'iufi	Augustine Mano	Geoffrey Robb	Arthur Sam	Freda Talao
Tenure (Years)	9	1	1	5	5	2	4	6	2	6
Meeting or Above Board Expectations	33	27	34	32	35	25	13	34	27	23
Under Board Expectations	4	10	3	5	2	12	24	3	10	14

**Table 2: Number of skills held and not held for each Board member**

## Board Skills for External Distribution

Table 5 provides a summary of the skills held by each Board member should the Board wish to publish the results for an external audience e.g. the company's shareholders. In this case, the Board may wish to change the Directors' names to Director A, Director B and so forth.

## Recommendations

That:

1. The Board collectively reassess the responses from this review to gain agreement on the responses provided and the number of Directors and the competency levels required;
2. The Board review any future gaps and:
  - ensuring Directors are cognisant of the behavioural competency gaps;
  - providing professional development for the current Directors to address any skills gaps
  - obtaining the required skills to support the Board through appointment of one or more appropriately skilled individuals to a committee of the Board.
3. In early 2019, all Directors conduct a peer review of each Director's competencies to further refine the results of this survey from being a self-assessment to an assessment by the Director's peers as to how each Director is contributing;
4. The Board consider Director tenure and associated issues in losing experienced directors in quick succession; and
5. The Board's succession planning includes an inventory of the competencies that an incoming Director/Committee member would need to bring to the Board/Committee.

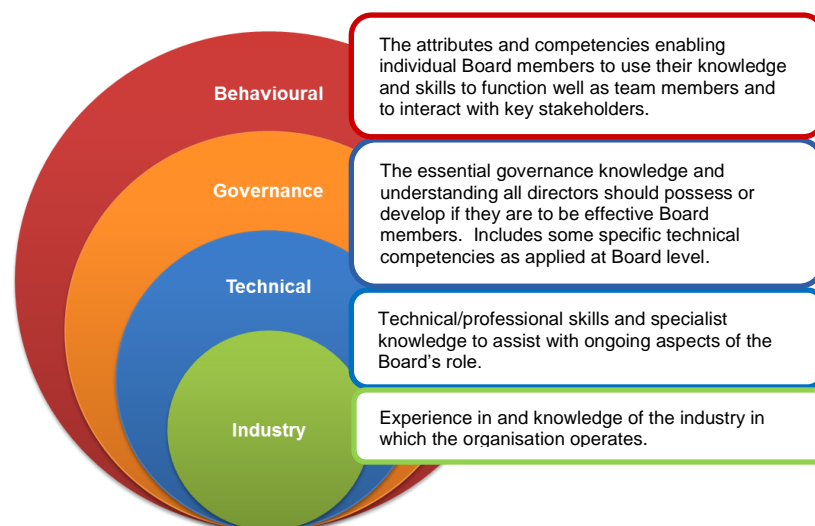
# Methodology

It is recognised that a diversity of skills, knowledge and experience around the boardroom table has a positive impact on the governance of an organisation—this is true of any governing body.<sup>1</sup> A Board comprises individuals who can contribute critically needed skills, experience, perspective, wisdom, time and other resources to the organisation. Because no one person can provide all of the qualities required for a successful Board, and because the needs of the organisation will continually change, a Board should have a well-conceived method to identify the competencies it requires to serve on the Board.

Based on Effective Governance's experience in extensively reviewing governance bodies around Australia, including listed company Boards, as well as our own and others' research,<sup>2</sup> an analysis of director's competencies should consider four areas, as illustrated in Figure 1 below:

1. *Behavioural*. Personal and interpersonal competencies provide the platform for most work and governance roles. These competencies include having a common sense and sound judgment, being a team player, an ability and willingness to challenge and probe and importantly integrity and high ethical standards.
2. *Governance*. Governance competencies come from education and the experience of actually working with and/or on Boards in the various major roles that Boards play.
3. *Technical*. Technical competencies include, for example, legal, accounting, engineering experience and/or knowledge. Clearly, Board members will not be strong in all the areas. Specific technical skills, such as accounting or legal qualifications, are generally not a requirement for a majority of Board members.
4. *Industry specific*. Industry-specific competencies include experience and/or knowledge of the specific industry sectors relevant to the organisation.

Thus, current directors, as well as Board candidates, should ideally have well-developed behavioural competencies, have or be able to master the governance competencies, and add expertise in the form of their technical experience and knowledge as well as industry-specific experience and knowledge.



**Figure 1: Board Competencies**

<sup>1</sup> G. C. Kiel, & G. J. Nicholson, 2003, 'Board composition and corporate performance: How the Australian experience informs contrasting theories of corporate governance,' *Corporate Governance: An International Review*, 11(3), pp. 189-205; G. J. Nicholson, & G. C. Kiel, 2004, 'A framework for diagnosing Board effectiveness,' *Corporate Governance: An International Review*, 12(4), 442-460.

<sup>2</sup> See, for example, C. Coulson-Thomas, 2009, 'Competences of an effective Board member,' *Industrial and Commercial Training*, 41(1), 27-35; G. J. Nicholson, & G. C. Kiel, 2007, 'Can Board members impact performance? A case-based test of three theories of corporate governance,' *Corporate Governance: An International Review*, 15(4), 585-608; C. Thomas, D. Kidd, & C. Fernández-Aráoz, 2007, 'Are you underutilizing your Board,' *MIT Sloan Management Review*, 48(2), 71-76.

## Detailed Results

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		Sir Kostas Constantinou	Robert Bradshaw	Stuart Davis	Robin Fleming	Ernest Gangloff	Dr. Matagiolofi Luailuifi	Augustine Mano	Geoffrey Robb	Arthur Sam	Freda Talao					
Tenure (Years):		9	1	1	5	5	2	4	6	2	6					
Industry Experience and Knowledge	Financial Services Industry	4	4	5	5	5	2	3	5	4	3	4	2	7	5	Met
	CEO/Senior Management Experience in the Financial Sector/BPNG or APRA regulated institutions	4	2	5	5	3	2	2	4	2	2	4	2	4	5	Met
	Capital Markets	3	3	4	4	4	2	3	5	2	2	4	2	4	5	Met
	Government and Stakeholder Connections and Lobbying	5	4	2	4	5	4	5	3	2	4	5	1	3	5	Met
	Accounting	3	2	3	4	5	2	3	3	5	3	5	1	2	5	Met
Technical Skills and Experience	Finance	4	2	5	4	5	3	3	5	4	3	4	2	6	5	Met
	Law	3	5	4	3	3	2	3	2	2	5	4	2	3	5	Met
	Strategic Marketing and Communications	3	2	3	4	5	2	4	3	2	3	3	3	7	5	Met
	Digital and Data Technology	3	2	3	3	3	2	2	3	2	2	3	3	5	3	Met
	Risk Management	4	2	4	4	5	4	3	5	4	3	5	2	2	5	Met
	Human Resource Management	4	4	3	3	5	5	3	3	3	3	3	3	10	5	Met
	Strategy Development and Implementation	5	3	4	4	5	4	3	4	3	3	4	3	6	5	Met
	CEO/Senior Management Experience in Substantial Organisations	5	4	5	5	5	5	5	4	4	3	4	3	9	5	Met
	Contemporary Corporate Governance	4	4	4	4	5	5	3	4	4	4	4	3	9	5	Met
	Commercial/Business Experience Acumen	5	4	5	5	5	4	5	4	4	2	4	3	9	5	Met

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	Director										Rounded Mean of Desired Level	Rounded Mean of Numbers Directors Desired	Current Number at Desired Level	Current Maximum Level	Met/ Not Met
	Sir Kostas Constantinou	Robert Bradshaw	Stuart Davis	Robin Fleming	Ernest Gangloff	Dr. Matagi alofi Lujai'iufi	Augustine Mano	Geoffrey Robb	Arthur Sam	Freda Talao					
Tenure (Years):	9	1	1	5	5	2	4	6	2	6					
<b>Governance Competencies</b>															
Strategy	5	4	4	4	5	4	4	4	5	4	4	5	10	5	Met
Financial Literacy	4	3	4	5	5	2	3	4	5	3	4	5	6	5	Met
CEO Selection, Monitoring and Evaluation	5	4	4	4	4	5	4	4	3	4	4	5	9	5	Met
Monitoring	4	4	4	4	4	4	3	5	4	4	4	5	9	5	Met
Compliance	4	4	4	4	4	4	3	5	4	4	4	5	9	5	Met
Risk Management	4	4	5	5	5	4	3	5	4	3	4	5	8	5	Met
Policy Frameworks	4	4	4	5	4	4	3	4	4	4	4	5	9	5	Met
Networking	5	4	4	3	5	4	5	4	4	5	4	5	9	5	Met
Stakeholder Communication	5	4	4	5	5	4	4	4	4	4	4	5	10	5	Met
Decision Making	5	4	4	5	5	4	5	4	4	4	4	5	10	5	Met
Effective Governance	5	4	5	4	5	4	3	4	4	4	4	5	9	5	Met
<b>Behavioural Competencies</b>															
Team Player/Collaborative	5	4	4	4	4	4	3	4	4	4	4	7	9	5	Met
Ability and Willingness to Challenge and Probe	5	4	4	5	4	3	3	5	4	4	4	7	8	5	Met
Common Sense and Sound Judgment	5	4	4	4	4	4	3	4	4	4	4	7	9	5	Met
Integrity and High Ethical Standards	5	4	5	5	5	4	3	5	4	5	4	7	9	5	Met
Mentoring Abilities	5	5	4	4	4	4	2	4	3	3	4	7	7	5	Met
Interpersonal Relations	5	4	4	5	4	4	3	4	5	5	4	7	9	5	Met
Listening Skills	4	4	4	4	4	4	4	4	4	5	4	7	10	5	Met
Verbal Communication	5	4	4	4	4	4	3	4	4	4	4	7	9	5	Met
Understanding of Effective Decision-Making Processes	4	4	4	4	4	4	4	4	4	4	4	7	10	4	Met
Willingness and Ability to Devote Time and Energy to the Role	5	4	4	5	4	4	2	5	4	5	4	7	9	5	Met
Ability to Foster and Initiates New ideas, Methods and Solutions	5	3	3	3	4	3	4	3	4	3	3	7	10	5	Met

Table 3: Detailed Responses

Score Legend	Score	Label
Governance, Technical and Industry Skills	1	None
	2	Developing
	3	Competent
	4	Advanced
	5	Extensive
Behavioural Skills	1	Not a Strength
	2	Some Strength
	3	Strength
	4	Significant Strength
	5	Outstanding Strength

Table 4: Score Explanation

# Board Skills for External Distribution

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		Sir Kostas Constantinou	Robert Bradshaw	Stuart Davis	Robin Fleming	Ernest Gangloff	Dr. Matagiolofo Luai'ufi	Augustine Mano	Geoffrey Robb	Arthur Sam	Freda Talao
Tenure (Years):		9	1	1	5	5	2	4	6	2	6
Industry Experience and Knowledge	Financial Services Industry	✓	✓	✓	✓	✓			✓	✓	
	CEO/Senior Management Experience in the Financial Sector/BPNG or APRA regulated institutions	✓		✓	✓				✓		
	Capital Markets			✓	✓	✓			✓		
	Government and Stakeholder Connections and Lobbying	✓				✓		✓			
Technical Skills and Experience	Accounting					✓				✓	
	Finance	✓		✓	✓	✓			✓	✓	
	Law		✓	✓							✓
	Strategic Marketing and Communications	✓		✓	✓	✓		✓	✓		✓
	Digital and Data Technology	✓		✓	✓	✓			✓		
	Risk Management					✓			✓		
	Human Resource Management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Strategy Development and Implementation	✓		✓	✓	✓	✓		✓		
	CEO/Senior Management Experience in Substantial Organisations	✓	✓	✓	✓	✓	✓	✓	✓	✓	
	Contemporary Corporate Governance	✓	✓	✓	✓	✓	✓		✓	✓	✓
Governance Competencies	Commercial/Business Experience Acumen	✓	✓	✓	✓	✓	✓	✓	✓	✓	
	Strategy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Financial Literacy	✓		✓	✓	✓			✓	✓	
	CEO Selection, Monitoring and Evaluation	✓	✓	✓	✓	✓	✓	✓	✓		✓
	Monitoring	✓	✓	✓	✓	✓	✓		✓	✓	✓
	Compliance	✓	✓	✓	✓	✓	✓		✓	✓	✓
	Risk Management	✓	✓	✓	✓	✓	✓		✓	✓	
	Policy Frameworks	✓	✓	✓	✓	✓	✓		✓	✓	✓
	Networking	✓	✓	✓		✓	✓	✓	✓	✓	✓
	Stakeholder Communication	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Decision Making	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Effective Governance	✓	✓	✓	✓	✓	✓		✓	✓	✓	

**Table 5: External Distribution Table**